

Message Text

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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: OECD, ECON, ENRG, EGEN, EFIN

SUBJECT: OECD MINISTERIAL COMMUNIQUE

1. AT END OF THIS MESSAGE, WE ARE TRANSMITTING DRAFT MINISTERIAL COMMUNIQUE REVISED ON BASIS CONSIDERATION BY DEPUTIES LATE LAST NIGHT. FINAL DRAFT WILL BE ISSUED TOMORROW EVENING FOLLOWING SECGEN'S PERSONAL REVIEW. DRAFT WILL REMAIN HIS RESPONSIBILITY AND WE THEREFORE EXPECT REMOVAL OR AMENDMENT OF BRACKETED LANGUAGE AND POSSIBLY OTHER CHANGES.

2. MAJOR PART OF LAST EVENING'S DISCUSSION CENTERED ON ECONOMIC POLICY PARAGRAPHS AND COMMODITIES ISSUES, AND IN PARTICULAR ACTION PARAGRAPH 8 ON COMMODITIES. IN FACE OF FRENCH AND BRITISH REDRAFTS, US ARGUED FOR REALISTIC PARAGRAPH WHICH INDICATED WILLINGNESS TO CON-

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SIDER SIGNIFICANT PROPOSALS, WHILE AVOIDING PREMATURE

COMMITMENT TO SPECIFIC CONCLUSIONS. SEVERAL DELS
OPPOSED REFERENCE IN PREVIOUS DRAFT TO "CONCERTED"
POLICIES, WHICH HAS BEEN DROPPED.

3. JAPANESE AND GERMANS ARGUED AGAINST INCLUDING PARA-
GRAPH ON FOOD STOCKS, ON BASIS THIS SUBJECT BEING
CONSIDERED ELSEWHERE, BUT US AND SEVERAL OTHERS FAVORED
RETENTION.

4. PHRASE IN BRACKETS IN PARA 10 IS UK PROPOSAL ACTIVELY
OPPOSED BY US AND OTHERS, WHO ARGUED AGAINST
SINGLING OUT 7TH SPECIAL SESSION AS PRINCIPAL FORUM FOR
DISCUSSION. SECRETARIAT (MARRIS) HAS RECOMMENDED
SECGEN REJECT IT.

5. PHRASE IN ENERGY PARAGRAPH WELCOMING IMPULSE OF IEA
TO ENERGY COOPERATION WAS, NOT SURPRISINGLY, VIGOROUSLY
REJECTED BY FRENCH, BUT ALSO UNACCEPTABLE TO AUSTRALIA
AND FINLAND. CANADIAN COMPROMISE WOULD HAVE INISTERS
NOTING PROGRESS MADE WITHIN IEA, FOLLOWING REFERENCE TO
VAN ELSLANDE'S REPORT ON IEA MINISTERIAL. SENTENCE IN
BRACKETS IN PARA 6 REFLECTED UK PROPOSAL FOR
RELATING COMMODITIES TO ENERGY BUT WAS OPPOSED AS
BEING OUT OF PLACE IN ENERGY SECTION.
AUSTRALIA AND OTHERS DISLIKED REFERENCE TO HARMONIZING
ATTITUDES ON COMMODITIES AND PROPOSED WEAKER VERSION IN
BRACKETS AT END OF PARAGRAPH.

6. DEPUTIES AGREED PARAGRAPH ON RELATIONS WITH DEVEL-
OPING COUNTRIES WOULD HAVE TO BE REDRAFTED TO REFLECT
OUTCOME OF DISCUSSIONS ON DECLARATION.

7. PARAGRAPH 2 OF TEXT ON GENERAL ECONOMIC SITUATION
WAS DISCUSSED AT LENGTH, BUT MODIFICATIONS WERE FEW,
MAINLY IN FOURTH SENTENCE IN RESPONSE US OBJECTION TO
CONCEPT OF EVEN DISTRIBUTION OF CURRENT ACCOUNT DEFICITS
AND TO IGNORING CAPITAL ACCOUNT.

8. IN TRADE PLEDGE PARA 4, SECRETARIAT HAS ADDED
REFERENCE TO EXCHANGE RATES SECRETARIAT DID NOT
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ACCEPT TURKISH SUGGESTION OF ADDING WORDING GIVING
SPECIAL RECOGNITION TO PROBLEMS OF DEVELOPING OECD
MEMBER COUNTRIES. PRESSURE FOR SUCH ADDITION, IS,
HOWEVER, LIKELY TO RESURFACE.

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BEGIN TEXT:

1. THE COUNCIL OF THE OECD MET AT MINISTERIAL LEVEL IN 28TH MAY, UNDER THE CHAIRMANSHIP OF THE RIGHT HONORABLE JAMES CALLAGHAN, MP, UNITED KINGDOM SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, AND ON 29TH MAY, WITH THE RIGHT HONORABLE DENIS HEALEY, MP, MBE, UNITED KINGDOM CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

THE ECONOMIC SITUATION

2. MINISTERS EXPRESSED CONFIDENCE THAT THE POLICIES OF OECD GOVERNMENTS WILL LEAD TO A RECOVERY OF DEMAND AND EMPLOYMENT AND THAT THIS SHOULD BE COMBINED WITH FURTHER REDUCTIONS IN THE AVERAGE RATE OF INFLATION. THEY AGREED ON THE NEED TO ENSURE, BY TIMELY ADJUSTMENTS OF POLICIES, THAT THE RECOVERY IS UNDERPINNED SHOULD

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THIS PROVE NECESSARY, AND THAT, ONCE UNDER WAY, IT DOES NOT DEGENERATE INTO A NEW PERIOD OF EXCESSIVE DEMAND PRESSURES AND INFLATIONARY TENDENCIES. MINISTERS NOTED THAT THE SUBSTANTIAL INTERNATIONAL PAYMENTS DEFICIT ON ON CURRENT ACCOUNT OF OECD COUNTRIES AS A GROUP, WHICH HAS RECENTLY DECLINED, IS NEVERTHELESS LIKELY TO PERSIST FOR SOME TIME. THEY ALSO UNDERLINED THE IMPORTANCE OF ENSURING THAT ECONOMIC POLICIES ARE SUCH AS TO SECURE A MORE BALANCED CURRENT ACCOUNT SITUATION AS BETWEEN INDIVIDUAL COUNTRIES, COMPATIBLE WITH A SUSTAINABLE PATTERN OF CAPITAL FLOWS. GIVEN SUCH POLICIES, MINISTERS WERE CONFIDENT THAT, UNDERWRITTEN BY THE OFFICIAL BILATERAL AND MULTILATERAL ARRANGEMENTS NOW BEING PUT INTO OPERATION, THE FINANCING OF EXISTING AND PROSPECTIVE DEFICITS COULD BE CONTINUED ON AN ORDERLY BASIS.

3. MINISTERS STRESSED THAT POLICY DECISIONS CONCERNED WITH THE IMMEDIATE FUTURE HAD TO BE RELATED TO THE FORESEEABLE MEDIUM OR LONG-TERM PROBLEMS OF THE COMING YEARS OF STRUCTURAL CHANGE, AND TO THE BROAD STRATEGIES FOR RESOLVING THEM. THEY RECOGNIZED THE NEED TO RE-ASSESS, AS SPEEDILY AS POSSIBLE, THE PROSPECTS FOR, AND CONSTRAINTS ON, SUSTAINED ECONOMIC GROWTH UNDER THE CONDITIONS NOW TAKING SHAPE, AND TO EXAMINE THE PROBLEMS OF EVOLVING SOCIALLY ACCEPTABLE AND ECONOMICALLY SOUND POLICIES TO COPE WITH CHANGING DEMAND PATTERNS.

TRADE

4. MINISTERS DECIDED TO RENEW, FOR A FURTHER PERIOD OF ONE YEAR, THE DECLARATION ADOPTED ON 30TH MAY, 1974, STATING THE DETERMINATION OF ALL OECD GOVERNMENTS TO AVOID RECOURSE TO NEW RESTRICTIONS ON TRADE AND OTHER CURRENT ACCOUNT TRANSACTIONS AND THE ARTIFICIAL STIMULATION OF VISIBLE AND CURRENT INVISIBLE EXPORTS. IN RENEWING THE DECLARATION, MINISTERS STRESSED THAT THE PRESENT SITUATION REQUIRED A HIGH DEGREE OF ECONOMIC COOPERATION. NOTING THAT THERE HAD BEEN A MARKED DIFFERENCE IN THE BALANCE-OF-PAYMENTS SITUATIONS OF OECD MEMBER COUNTRIES, THEY WELCOMED THE ECONOMIC MEASURES TAKEN BY CERTAIN OF THEM; AND THEY REAFFIRMED THAT,

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IN THE PRESENT STATE OF THE WORLD ECONOMY, IT REMAINED OF THE HIGHEST IMPORTANCE TO FOLLOW AN ECONOMIC POLICY WHICH COMBATTED INFLATION BUT ALSO AIMED AT MAINTAINING

A HIGH LEVEL OF EMPLOYMENT AND EXPANSION OF WORLD TRADE. THE WAY IN WHICH THIS POLICY SHOULD BE IMPLEMENTED MUST TAKE ACCOUNT OF THE RESPECTIVE SITUATIONS OF MEMBER COUNTRIES. MINISTERS AGREED ON THE NEED TO CONTINUE CLOSE CONSULTATIONS ON EXCHANGE-RATE DEVELOPMENTS. THEY ALSO REAFFIRMED THAT, FOR THE FURTHER DEVELOPMENT OF THE WORLD ECONOMY, LIBERAL AND EXPANDED TRADE WAS OF THE UTMOST IMPORTANCE AND THAT, TO THIS END, THEY WOULD WORK TOGETHER FOR THE SUCCESS OF THE MULTILATERAL TRADE NEGOTIATIONS NOW UNDER WAY.

ENERGY

5. MINISTERS STRESSED THE IMPORTANCE THEY ATTACHED TO CONTINUING AND DEVELOPING CO-OPERATION IN THE FIELD OF ENERGY. THEY HEARD A REPORT FROM THE BELGIAN FOREIGN MINISTER, MR. RENAAT VAN ELSLANDE, CHAIRMAN OF THE GOVERNING BOARD OF THE INTERNATIONAL ENERGY AGENCY'S MEETING AT MINISTERIAL LEVEL ON 27TH MAY, AND NOTED THE PROGRESS BEING MADE WITHIN THAT BODY.

6. MINISTERS AGREED ON THE NEED FOR ALL OECD COUNTRIES TO MAKE CONTINUED EFFORTS TO ENSURE THAT THE DIALOGUE BETWEEN OIL PRODUCING AND CONSUMING COUNTRIES WOULD

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CONTRIBUTE TO EQUITABLE AND STABLE CONDITIONS IN THE WORLD ENERGY MARKET. (THEY RECOGNIZED THAT THERE ARE ALSO IMPORTANT ISSUES OF CONCERN TO THE DEVELOPING PRODUCER COUNTRIES WHICH ARE NOT DIRECTLY RELATED TO ENERGY).

COMMODITIES

7. MINISTERS STRESSED THAT ADEQUATE SUPPLIES OF COMMODITIES AT EQUITABLE AND REMUNERATIVE PRICES ARE ESSENTIAL TO THE WORLD ECONOMY. THEY RECOGNIZED THE INTERDEPENDENCE AND COMMON INTEREST OF PRODUCERS AND CONSUMERS, IN BOTH DEVELOPED AND DEVELOPING COUNTRIES, PARTICULARLY IN RELATION TO THE AVOIDANCE OF EXCESSIVE FLUCTUATIONS IN COMMODITY MARKETS, AS WELL AS THE IMPORTANCE TO PRODUCERS OF ASSURED ACCESS TO MARKETS AND TO CONSUMERS OF SECURE SUPPLIES. THESE QUESTIONS, AS WELL AS OTHER ASPECTS OF THE COMMODITY PROBLEM, ARE OF SPECIAL LIMITED OFFICIAL USE

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CONCERN TO THE DEVELOPING COUNTRIES IN MAKING THE BEST POSSIBLE USE OF THEIR NATURAL RESOURCES TO FOSTER ECONOMIC DEVELOPMENT.

8. WHILE RECOGNIZING THAT CIRCUMSTANCES VARY GREATLY BETWEEN COMMODITIES AND THAT PARTICULAR ARRANGEMENTS NEED TO BE EXAMINED FOR EACH SEPARATELY, MINISTERS AGREED ON THE NEED FOR A BROAD AND COMPREHENSIVE APPROACH TO COMMODITY PROBLEMS, ENCOMPASSING, IN PARTICULAR: -

- STEPS TO REDUCE MARKET INSTABILITY AND PROMOTE A BETTER BALANCE BETWEEN PRODUCTION AND CONSUMPTION, INCLUDING, WHERE APPROPRIATE, THROUGH COMMODITY AGREEMENTS;
- MEASURES TO ENSURE ADEQUATE LEVELS OF INVESTMENT IN EFFICIENT PRODUCTION OF COMMODITIES;
- IMPROVED MARKET OUTLETS AND INCREASED LOCAL PROCESSING OF COMMODITIES; AND
- APPROPRIATE INTERNATIONAL MECHANISMS TO STABILIZE EXPORT EARNINGS OF THE POORER PRODUCING COUNTRIES.

9. MINISTERS NOTED THAT THE BETTER AGRICULTURAL CROPS EXPECTED THIS YEAR OFFERED THE OPPORTUNITY TO BEGIN

REBUILDING STOCKS OF ESSENTIAL FOODSTUFFS, NOTABLY GRAINS. THEY STRESSED THE NEED FOR PROGRESS IN THE DISCUSSIONS OF INTERNATIONAL ARRANGEMENTS TO PROVIDE FOR GREATER WORLD FOOD RESERVES. MINISTERS ALSO RE-ITERATED THEIR WILLINGNESS TO CONTRIBUTE TO THE EFFORTS NEEDED TO INCREASE FOOD PRODUCTION IN THE DEVELOPING COUNTRIES.

10. MINISTERS AGREED THAT THESE QUESTIONS SHOULD BE PURSUED ACTIVELY IN THE APPROPRIATE INTERNATIONAL BODIES (MINISTERS AGREED THAT THESE QUESTIONS SHOULD BE PURSUED ACTIVELY BOTH IN BROAD DISCUSSION IN THE SEVENTH SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY AND THROUGH MORE DETAILED WORK IN THE SEVERAL INTERNATIONAL BODIES CONCERNED), WITH A VIEW TO REACHING CONCRETE SOLUTIONS BASED ON COOPERATION BETWEEN PRODUCING AND CONSUMING COUNTRIES. THEY WELCOMED THE ESTABLISHMENT OF A HIGH LEVEL GROUP IN THE OECD TO DEVELOP AND HARMONIZE MEMBER COUNTRIES' ATTITUDES BOTH LIMITED OFFICIAL USE

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ON GENERAL ASPECTS OF THEIR COMMODITY POLICIES AND ON SPECIFIC ACTION CONCERNING PARTICULAR COMMODITIES. (... A HIGH LEVEL GROUP IN THE OECD TO FOLLOW-UP THE CONCLUSIONS REACHED AT THE MEETING RELATING TO COMMODITIES).

RELATIONS WITH DEVELOPING COUNTRIES

11. MINISTERS ADOPTED AN OECD DECLARATION ON RELATIONS WITH DEVELOPING COUNTRIES (ANNEXED TO THIS COMMUNIQUE), IN WHICH THEY EXPRESS THEIR FIRM INTENTION TO PURSUE THE DIALOGUE WITH THE DEVELOPING COUNTRIES. THEY FURTHER AGREED ON A REVIEW WITHIN THE OECD OF ECONOMIC RELATIONS BETWEEN MEMBER COUNTRIES AND DEVELOPING COUNTRIES, (WITH A VIEW TO IDENTIFYING WHAT NEW AND CONSTRUCTIVE APPROACHES COULD BE ADOPTED ON SELECTED SUBSTANTIVE ISSUES, AND TO GIVE SUPPORT AND NEW IMPETUS TO NEGOTIATIONS IN OTHER BODIES WORKING ON SPECIFIC PROBLEMS.) END TEXT.

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